U.S. Territories
Medicare Modernization Act —Final Rule
Fact Sheet

- The Act, includes several references to the five U.S. territories: including the: U.S. Virgin Islands, Guam, American Samoa, Commonwealth of Puerto Rico, and the Commonwealth of Northern Marianas.

- Under the Medicare Modernization Act of 2003 (MMA), low-income Part D eligibles residing in the territories are not eligible for premium and cost sharing subsidies available to residents of the states. Low-income is generally defined for states as less than 150% of the federal poverty level, although territories may be allowed to lower maximum income eligibility thresholds.

- In lieu of the premium and cost sharing subsidies available to states, section 103 of the MMA allows each of the territories to submit a plan to the Secretary to obtain a share of additional funds in the form of additional medical assistance for low income individuals covered by Part D drugs. Territories with approved plans can receive an increase in their share of grant funding paid under section 1935(e) (3) of the Act.

- The territories may elect to use both their usual capped Federal Medicaid funds and the MMA funding to pay for Part D premiums for low-income individuals as well as for co-insurance, co-payments, and/or deductibles for Part D covered drugs. They may also design their programs to wrap around the Part D Medicare benefit to fill gaps in coverage (thus providing an added incentive for low income Medicare beneficiaries to enroll in Part D).

- Section 1935(c) (1) of the Act exempts territories from the requirement to provide Phased-Down Contributions to HHS. The Phased-Down Contribution (to defray a portion of Medicare drug expenditures for those whose projected Medicaid drug coverage is assumed by Medicare Part D) only applies to states and the District of Columbia.

- Under MMA, each territory will constitute its own Medicare prescription drug plan region.

- CMS will provide guidance to the territories relating to MMA implementation, including the preparation and submission of plans for increased funding.

- Section 1108 of the MMA specified increased funding for all territories is $28,125,000 for the last three quarters of Fiscal Year 2006 and $37,500,000 for Fiscal Year 2007, and the 2007 amount, increased by the annual percentage increase on Part D spending in subsequent years. Plans submitted to the Secretary must assure that no more than 10% of the amount of the increased grant is used for administrative expenses. Unspent funding authority may not be carried over and used for a subsequent year’s costs.